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## **FINANCIAL SECTION**

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This section contains the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Statements and Schedules.



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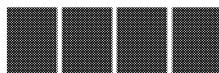
### **Independent Auditors' Report**

The Honorable County Council  
Prince George's County, Maryland:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Prince George's County, Maryland (the County), as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Prince George's County, Maryland; the Housing Authority of Prince George's County; the Revenue Authority of Prince George's County; the Prince George's County Memorial Library System; Prince George's Community College; and Prince George's Community Television Inc., which represent 93% of total assets and 99% of total revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2003. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the aforementioned component unit entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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As described in note 2, during 2003, the County implemented Governmental Accounting Standards Board Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*.

The Management's Discussion and Analysis and the Required Supplementary Information, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards* we have also issued a report dated December 19, 2003 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

Jeff Smith & Co.

December 19, 2003

PRINCE GEORGE'S COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003

Management is pleased to present this narrative overview and analysis of Prince George's County's financial activities for the fiscal year ended June 30, 2003. We suggest using this information along with additional information furnished in the letter of transmittal (located in the Introductory Section of this report) to profile our operations. The following discussion focuses on the County's primary government and, unless otherwise noted, component unit information is not included.

**FINANCIAL HIGHLIGHTS**

- Prince George's County's assets exceed its liabilities at June 30, 2003 by \$1.2 billion (net assets). The primary government has a negative unrestricted net asset balance of \$252.9 million, mainly because of debt related to assets owned by its component units - the Board of Education and the Community College.
- The County's total net assets increased \$17.5 million from the previous year. Net assets of governmental activities increased \$9.7 million, while the net assets of business-type activities increased \$7.8 million.
- At June 30, 2003, Prince George's County's governmental funds report combined ending fund balances of \$237.6 million, an increase of \$34.0 million in comparison to the previous fiscal year. Of this amount, \$57.0 million remains in various funds of the County as unreserved.
- At the end of the fiscal year, unreserved fund balance for the general fund is \$77.5 million, or 7.6% of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Prince George's County Government's financial statements, which include government-wide and fund statements, as well as notes to the financial statements.

Government-Wide Financial Statements

Similar to private-sector reporting, government-wide financial statements are designed to provide a broad overview of the financial position of Prince George's County. They include a **statement of net assets** and a **statement of activities**. These statements appear on pages III-1 and III-2 of this report.

The statement of net assets shows the County's assets less its liabilities at June 30, 2003. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The statement of activities follows the statement of net assets and presents information showing how net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of the related cash flows.

PRINCE GEORGE'S COUNTY, MARYLAND  
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Both statements distinguish functions of Prince George's County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements of Prince George's County (known as the primary government) include general government, public safety, public works, health, public welfare, and education. The government-wide financial statements also include the legally separate component units for which the County is financially accountable. Financial information for these component units is reported separately from the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Prince George's County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the county government can be divided into three categories: governmental, proprietary and fiduciary.

**Governmental funds** – Governmental funds, presented on pages III-3 to III-8, essentially account for the same functions as those reported under the governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide statements. This information may be useful in evaluating the County's near-term financing requirements and available resources.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers can discern the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in the County's basic financial statements include three major funds, the General Fund, the Capital Projects Fund, and the Federal and State Aided Programs Fund. The remaining five funds have been presented combined in one column as "Other Governmental Funds." Combining statements for these other governmental funds are presented on pages VII-1 to VII-4 of this report.

**Proprietary funds** – Prince George's County maintains two different types of proprietary funds: enterprise and internal service funds. These funds are included on pages III-9 to III-13 of this report.

Enterprise funds are used to report, in detail, the same information presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for solid waste and stormwater management, both of which are considered major funds of the County. Internal service funds are an accounting device used to accumulate and allocate costs internally for the County. The County uses internal service funds to account for self-insurance, vehicle maintenance, and computer services. Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide statements. The internal service funds are presented in total in the fund financial statements, but may be viewed separately in the combining statements on pages VIII-1 to VIII-5 in this report.

**Fiduciary funds** – Prince George's County uses fiduciary funds to account for resources held for the benefit of parties outside County government. Although these funds are presented with the fund statements, they do not appear in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting method used for fiduciary funds is much like that used for proprietary funds. These funds are presented on pages III-14 and III-15 of this report.

PRINCE GEORGE'S COUNTY, MARYLAND  
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Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages IV-1 to IV-46 of this report.

Other Information

This report also includes required supplementary information related to the funding progress of the County's Pension Trust Funds. This information is included on pages V-1 and V-2.

Combining and individual statements and schedules referred to earlier, which present more detailed views of nonmajor funds, internal service funds, and nonmajor component units are presented on pages VI-1 to XI-6.

Additional information about the County, which may be of interest to the reader, is found in the Statistical Section of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, changes in net assets over time is a useful indicator of a business enterprise's financial position. The County's total net assets as of June 30, 2003 were \$1.2 billion. Investment in capital assets such as land, roads, bridges, buildings, machinery and equipment accounts for \$1.3 billion of net assets. The amount is presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The County uses capital assets to provide services to the citizens and consequently these assets are not available for future spending. Although assets are reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and other resources will be needed to repay any associated debt.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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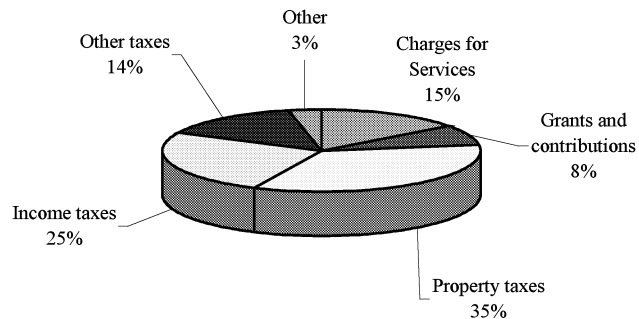
**Schedules of Net Assets**  
**June 30, 2003 and 2002**  
(in thousands)

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 480,787	440,474	126,554	134,899	607,341	575,373
Capital assets	1,598,510	1,566,114	204,483	195,388	1,802,993	1,761,502
<b>Total assets</b>	<u>2,079,297</u>	<u>2,006,588</u>	<u>331,037</u>	<u>330,287</u>	<u>2,410,334</u>	<u>2,336,875</u>
Long-term liabilities outstanding	753,902	726,878	155,524	164,636	909,426	891,514
Other liabilities	261,002	225,016	21,444	19,399	282,446	244,415
<b>Total liabilities</b>	<u>1,014,904</u>	<u>951,894</u>	<u>176,968</u>	<u>184,035</u>	<u>1,191,872</u>	<u>1,135,929</u>
Net assets						
Invested in capital assets, net of related debt	1,229,044	1,215,116	94,872	79,363	1,323,916	1,294,479
Restricted	127,467	80,190	19,987	19,217	147,454	99,407
Unrestricted	(292,118)	(240,611)	39,210	47,672	(252,908)	(192,939)
<b>Total net assets</b>	<u>\$ 1,064,393</u>	<u>1,054,695</u>	<u>154,069</u>	<u>146,252</u>	<u>1,218,462</u>	<u>1,200,947</u>

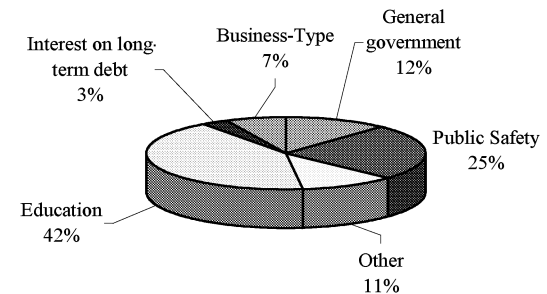
Restricted net assets are resources subject to external restriction on how they may be used to meet the County's ongoing obligations to citizens and creditors. As noted earlier, the County's net asset deficit in governmental activities unrestricted net assets is primarily attributable to outstanding debt that has been issued on behalf of the County's component units. The majority of this debt is for the Board of Education as the County continues to issue bonds to finance school construction projects. Counties in the State of Maryland issue debt for school construction, however, the buildings are owned by the County's Board of Education. All other governmental and business-type activities had positive net asset balances as of June 30, 2003.

PRINCE GEORGE'S COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Revenue by Source FY2003**



**Expenses by Function FY2003**



**Governmental Activities**

The County's governmental activities increased by approximately \$ 9.7 million in fiscal year 2003.

The County's total revenues from governmental activities was approximately \$1.27 billion in fiscal year 2003 (approximately \$100 million greater than fiscal year 2002.) Property and income taxes make up approximately 62 percent of this revenue. Property taxes increased by approximately \$15.0 million or 3.4 percent reflecting a steady increase in property values. Income taxes also increased by approximately \$29 million or 9.1 percent in fiscal year 2003.

Transfer and recordation taxes (\$96.7 million) and energy taxes (\$48.3 million) comprise the majority of the remaining other taxes. In fiscal year 2003, the County imposed a new telecommunications tax. The County is obligated to transfer all proceeds of this tax (\$34.6 million in 2003) to the Board of Education.

The County's total expenses from governmental activities was approximately \$1.26 billion in fiscal year 2003 (approximately \$59 million greater than fiscal year 2002.) The categories experiencing the largest increases were general government (approximately \$11.2 million), public safety (approximately \$20.2 million), and education (approximately \$25.7 million.) General government expenditures increased by approximately 7%. A portion of the increase relates to an increase in internal service fund costs (approximately \$4.2 million) allocated to the general government category.



PRINCE GEORGE'S COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Schedule of Changes in Net Assets**  
**For the years ended June 30, 2003 and 2002**

(in thousands)

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Revenue:						
Program Revenue:						
Charges for services	\$ 126,132	110,741	76,301	78,161	202,433	188,902
Operating grants and contributions	102,396	116,247	-	-	102,396	116,247
Capital grants and contributions	8,473	3,272	244	1,014	8,717	4,286
General revenue:						
Property taxes	444,343	429,318	23,054	22,335	467,397	451,653
Income taxes	346,562	317,178	-	-	346,562	317,178
Other taxes	197,114	141,271	-	-	197,114	141,271
Other	44,013	51,016	1,230	973	45,243	51,989
Total revenue	<u>1,269,033</u>	<u>1,169,043</u>	<u>100,829</u>	<u>102,483</u>	<u>1,369,862</u>	<u>1,271,526</u>
Expenses:						
General government	163,569	152,298	-	-	163,569	152,298
Public safety	339,387	319,171	-	-	339,387	319,171
Public works and transportation	62,534	58,998	-	-	62,534	58,998
Health	54,483	51,903	-	-	54,483	51,903
Public welfare	28,142	30,479	-	-	28,142	30,479
Education	574,190	548,496	-	-	574,190	548,496
Interest on long-term debt	37,030	38,828	-	-	37,030	38,828
Solid waste	-	-	69,991	75,391	69,991	75,391
Stormwater management	-	-	23,021	20,392	23,021	20,392
Total expenses	<u>1,259,335</u>	<u>1,200,173</u>	<u>93,012</u>	<u>95,783</u>	<u>1,352,347</u>	<u>1,295,956</u>
Increase <decrease> in net assets	9,698	(31,130)	7,817	6,700	17,515	(24,430)
Net assets - beginning of year	<u>1,054,695</u>	<u>1,085,825</u>	<u>146,252</u>	<u>139,552</u>	<u>1,200,947</u>	<u>1,225,377</u>
Net assets - end of year	<u>\$ 1,064,393</u>	<u>1,054,695</u>	<u>154,069</u>	<u>146,252</u>	<u>1,218,462</u>	<u>1,200,947</u>

PRINCE GEORGE'S COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Business-type Activities

Business-type activities increased the County's net assets by approximately \$7.8 million in fiscal year 2003. Key elements of this increase are as follows:

- Total operating expenses for the Solid Waste Fund decreased by approximately \$5.5 million or 8.4 percent. This was primarily a result of a reduction in the depreciation expense for the Brown Station Road Landfill by \$7.9 million. The capacity of the landfill was reassessed and increased by \$1 million, thereby decreasing the depreciable base.
- Total operating expenses for the Stormwater Management Fund increased by approximately 14.0 percent. This was primarily a result of an increase in contract services, higher health insurance costs and increases to the Supplemental Pension Plan. These expenses accounted for over \$1 million of the increases. However, the expenses were offset by an increase of over \$1.3 million in revenues. Taxes, licenses and permits, a major source of revenue for the Stormwater Management Fund, increased due to the demand for new housing developments.

**FINANCIAL ANALYSIS OF GOVERNMENT FUNDS**

Governmental Funds

As noted earlier, Prince George's County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. In assessing Prince George's County's financing requirements, unreserved fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year.

As of June 30, 2003, County governmental funds reported combined fund balances of \$237.6 million, an increase of \$34.0 million in comparison to the prior year balances. Governmental funds reserved \$180.5 million to meet current commitments in the next fiscal year including \$51.7 million for contracts and purchase orders not received at year-end, \$87.3 million for a charter-mandated contingency reserve (Rainy Day Fund), \$39.5 million for school construction, and \$2.0 million for other purposes.

The General Fund is the chief operating fund of the County. At June 30, 2003, total fund balance in the general fund was \$175.1 million of which \$77.5 million was unreserved. The General Fund balance increased by \$8.5 million as a result of current fiscal year operations. The following key factors were responsible for the growth:

- The County increased the original fiscal year 2003 appropriation by \$19.5 million. The increase was necessary to cover costs for inclement weather, pension contributions, education, and health care. Details are in the budgetary highlights section on the following page.
- While investment income decreased \$6.9 million in fiscal year 2003, homeowners taking advantage of lower interest rates on mortgages increased transfer and recordation taxes by \$16.7 million.
- The County's new telecommunications tax generated \$34.6 million in revenue. This amount was over \$11.2 million above the County's revised estimates due to higher than anticipated cell phone usage and the uncertainty related to projecting new revenue streams.
- The income tax revenue was not substantially impacted by the decrease in capital gains revenue. Income tax collections grew at a modest rate of .9%.

PRINCE GEORGE'S COUNTY, MARYLAND  
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The Capital Projects Fund shows project expenditures of \$103.3 million for fiscal year 2003 compared to \$113.7 million in fiscal year 2002. The majority of the decrease is related to spending on school construction. The County spent \$52.9 million on school construction in fiscal year 2002 compared to \$44.0 million in 2003. This 17.9% decrease from the prior fiscal year was due to increased spending in fiscal year 2002 to ensure the opening of nine new schools in September of 2002. The County also received an additional \$6.4 million in school surcharge revenue, which is reserved for school construction. These factors led to a total increase in fund balance of \$25.5 million during the fiscal year.

Expenditures in the Federal and State Aided Programs Fund decreased by approximately \$4.3 million during fiscal year 2003. The majority of the decrease (\$3.4 million) relates to programs run by the Department of Housing and Community Development due to a decrease in Federal funding in fiscal year 2003.

Proprietary Funds

Proprietary fund statements provide greater detail than the government-wide financial statements.

**Enterprise Funds.** At June 30, 2003, total net assets amounted to \$154.7 million for enterprise funds as compared to \$146.3 million at June 30, 2002. Unrestricted net assets of the Solid Waste Fund at the end of the year amounted to \$35.2 million, and those for the Stormwater Management Fund amounted to \$ 4.6 million. The total growth in net assets for both these funds was \$ 4.7 million and \$ 3.7 million, respectively.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

**BUDGETARY HIGHLIGHTS**

The County's final General Fund revenue budget exceeded the original budget by \$19.5 million. The County used the additional funding to cover costs of the severe winter, to increase funding for the County's pension plans, and to provide additional resources to fund education and health care. Details for these costs include:

- The numerous snow events during the fiscal year increased the County's cost in the Department of Public Works & Transportation (\$2.2 million appropriation increase) and various public safety departments.
- Due to enhanced benefits and updated actuarial results the County contributed an additional \$10 million to its pension plans. Over 60% of the increase went to the Police and Fire Departments.
- As noted above, the County instituted a new telecommunications tax to fund public education. The original fiscal year 2003 budget was \$19.1 million. The County revised the estimate to \$23.3 million and increased its appropriation to the Board of Education by \$4.2 million.
- The County paid \$3.0 million to Dimension Health Corporation to assist in the funding of Prince George's Hospital Center. This grant was not in the County's original budget.

PRINCE GEORGE'S COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$1.8 billion (net of accumulated depreciation.) This investment in capital assets includes land, buildings and improvements, equipment and vehicles, road networks, bridges, landfill property in service, and stormwater property in service. The total increase in the County's investment in capital assets for the current fiscal year was 2.3 percent (2.1 percent increase for governmental activities and a 4.7 percent increase in business-type activities).

Major capital asset events during the year include the following:

- Solid waste projects totaling \$3.9 million were placed into service. Construction in progress for business-type activities increased \$10.0 million.
- The Cheverly Health Facility and phase one of the Detention Center Expansion were completed in 2003 resulting in a transfer of approximately \$27.7 million to the County's inventory.
- \$4.1 million in Courthouse renovations contributed to the additions to construction in progress.
- Road and bridge project costs, including Amendale Virginia Manor Road (\$3.7 million) and Walker Mill Road (\$3.0 million), increased construction in progress by \$ 19.9 million.

The County's capital assets, net of accumulated depreciation is presented in the following table as of June 30, 2003 and 2002:

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 65,580,956	64,152,683	12,064,902	11,559,680	77,645,858	75,712,363
Buildings and improvements	202,440,800	175,497,427	2,907,416	3,201,587	205,348,216	178,699,014
Equipment	28,598,686	30,919,956	8,049,458	7,317,838	36,648,144	38,237,794
Infrastructure	1,204,523,093	1,190,766,584	-	-	1,204,523,093	1,190,766,584
Landfill property in service	-	-	23,339,444	22,941,339	23,339,444	22,941,339
Stormwater property in service	-	-	65,517,803	67,773,786	65,517,803	67,773,786
Construction in progress	97,366,460	104,777,853	92,603,707	82,593,707	189,970,167	187,371,560
Total	\$ 1,598,509,995	1,566,114,503	204,482,730	195,387,937	1,802,992,725	1,761,502,440

Additional information on Prince George's County's capital assets is located on pages IV-14 to IV-18 of this report.

PRINCE GEORGE'S COUNTY, MARYLAND  
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**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$761.2 million. Of this amount, \$720.8 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Outstanding Debt**

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 652,473,759	587,153,759	67,530,000	70,540,000	720,003,759	657,693,759
State participation bonds	812,025	1,577,203	24,155	46,918	836,180	1,624,121
Revenue bonds	-	-	40,360,581	44,086,027	40,360,581	44,086,027
Total	\$ 653,285,784	588,730,962	107,914,736	114,672,945	761,200,520	703,403,907

Total bonded debt of Prince George's County Government increased by \$57.8 million (8.22%) from the previous fiscal year. The key factors in the increase are a bond sale of \$105.3 million in December and the retirement of \$47.5 million of General Obligation and Revenue bonds.

The County maintains the following ratings on their bonds:

	<u>Current Rating</u>
Fitch Ratings	AA
Standard & Poor's	AA
Moody's Investors Service, Inc.:	
Limited tax bonds	Aa3
Unlimited tax bonds	Aa2

The County's Stormwater Management general obligation underlying bond ratings, as of June 30, 2003, are as follows:

	<u>Current Rating</u>
Fitch Ratings	AA
Standard & Poor's	AA
Moody's Investors Service, Inc.	Aa2

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The underlying ratings of the County's Solid Waste Management Revenue Bonds, series 1993 as of June 30, 2003, are as follows:

	<u>Current Rating</u>
Fitch Ratings	A+
Standard & Poor's	A
Moody's Investors Service, Inc.	A3

Additional information on the County's long-term debt is located in note 12 starting on page IV-30 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Factors considered in preparing Prince George's County's budget for fiscal year 2004 included:

- The unemployment rate in the County decreased from 4.9% in January of 2002 to 4.4% in January of 2003. The percentage is in line with the State and below the national averages.
- The occupancy rate in the County increased slightly for the first quarter of calendar year 2003. The performance is in line with other jurisdictions in the region.
- Median housing prices are growing at double-digit rates in 2003 compared to the same period in 2002.

During the current fiscal year, unreserved fund balance in the General Fund decreased by \$28.1 million to a total of \$77.5 million. One factor impacting the decrease was the change in the minimum contingency reserve requirement from three percent to five percent in fiscal year 2003. This resulted in an increase in reserves of \$34.9 million based on the final fiscal year 2003 budget. The County has appropriated \$15.2 million of the unreserved fund balance for the fiscal year 2004 budget, with the majority (\$11.2 million) for fiscal year 2003 telecommunications taxes due to the Board of Education.

Requests for Information

This financial report is designed to provide a general overview of Prince George's County, Maryland for those individuals with an interest in our government's finances. Address questions concerning any of the information provided in this report or requests for additional information to the Office of Finance, Accounting Division, Attention: Assistant Director, 14741 Governor Oden Bowie Drive, Suite 3151, Upper Marlboro, MD 20772. You can also reach us by fax at 301.952.3043 or send an email to: cmcrtis@co.pg.md.us.

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